

33724
EB

SERVICE DATE July 2, 2003

This decision will be included in the bound volumes of the STB
printed reports at a later date.

SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 552 (Sub-No. 7)

RAILROAD REVENUE ADEQUACY - 2002 DETERMINATION
Decided: June 20, 2003

No Class I railroad is found to be revenue adequate for the year
2002.

BY THE BOARD:

This annual determination of railroad revenue adequacy is made in accordance with the standards and procedures developed in *Standards for Railroad Revenue Adequacy*, 364 I.C.C. 803 (1981), *Standards for Railroad Revenue Adequacy*, 3 I.C.C.2d 261 (1986), and *Supplemental Reporting of Consolidated Information for Revenue Adequacy Purposes*, 5 I.C.C.2d 65 (1988). Pursuant to those procedures, which are essentially mechanical, a railroad is considered revenue adequate under 49 U.S.C. 10704(a) if it achieves a rate of return on net investment (ROI) equal to at least the current cost of capital for the railroad industry. We perform the annual revenue adequacy exercise because we have been directed to do so by Congress.

In *Railroad Cost of Capital - 2002*, STB Ex Parte No. 558 (Sub-No. 6) (STB served June 19, 2003), we determined that the 2002 railroad industry cost of capital was 9.8%. By comparing this figure to the 2002 ROI data obtained from the carriers' Annual Report R-1 Schedule 250 filings, we have made revenue adequacy calculations for each of the Class I freight railroads that were in operation as of December 31, 2002.

A summary of the ROI's for all Class I railroads is set forth in the appendix to this decision. We find no carrier to be revenue adequate for 2002. Our findings with respect to the Class I carriers will be final on the effective date of this decision.

Environmental and Energy Considerations

We conclude that this action will not significantly affect either the quality of the human environment or the conservation of energy resources.

Regulatory Flexibility Analysis

Pursuant to 5 U.S.C. 603(b), we conclude that our action in this proceeding will not have a significant economic impact on a substantial number of small entities. The purpose and effect of the action are merely to update the annual railroad industry revenue adequacy finding. No new reporting or other regulatory requirements are imposed, directly or indirectly, on small entities.

It is Ordered:

This decision is effective July 2, 2003.

By the Board, Chairman Nober.

Vernon A. Williams
Secretary

APPENDIX

Railroad	ROI
Burlington Northern and Santa Fe Railway Company	6.4%
CSX Transportation, Incorporated	5.2%
Grand Trunk Corporation Consolidated (Including all Canadian National U.S. affiliates)	3.1%
Kansas City Southern Railway Company	6.5%
Norfolk Southern Railroad Company	9.1%
Soo Line Railroad Company (Including all Canadian Pacific U.S. affiliates)	5.7%
Union Pacific Railroad Company	8.6%